



NEW APPLICATION



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AZ CORP COMMISSION

**SOUTHWEST GAS CORPORATION**

**MAY 31 8 50 AM '01**

DOCUMENT CONTROL

May 29, 2001

Ms. Deborah Scott, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

**G-01551A-01-0445**

Dear Ms. Scott:

Pursuant to the terms of Schedule No. G-30, Optional Gas Service, of Southwest Gas Corporation's (Southwest) Arizona Gas Tariff No. 7, Southwest herewith submits for the Commission's review and approval a Special Gas Procurement Agreement (Agreement) for the V.A.W. of America, Inc. (V.A.W.) Upon Commission approval, the Agreement shall continue in effect for a primary term of three years and continue from year to year thereafter.

As specified in Special Condition No. 3 of Schedule No. G-30, the Agreement enumerates the provisions whereby Southwest will procure specific supplies of gas for the V.A.W. Southwest is unable to serve the V.A.W. utilizing the floor cost of gas as defined in Schedule No. G-30. Consequently, a Special Gas Procurement was executed that will allow Southwest to retain the V.A.W. as a customer on its distribution system.

Southwest herewith submits an original and ten (10) copies of the Agreement, including an Exhibit A which has been redacted due to the propriety and commercially-sensitive nature of the information contained in such exhibit.

By copy of this letter, Southwest is providing a copy of the Agreement and unredacted Exhibit A to Staff. The unredacted exhibit is being provided under seal in reliance upon prior Confidentiality Agreements related to Special Gas Procurement customers which have previously been executed by Southwest and Staff.



Ms. Deborah Scott  
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Southwest respectfully requests that the attached Agreement be permitted to become effective July 1, 2001.

Very truly yours,

Ed Gieseking  
Manager, State Regulatory Affairs

c     Robert Gray  
         Utilities Division

**SOUTHWEST GAS CORPORATION  
SPECIAL GAS PROCUREMENT AGREEMENT  
UNDER SCHEDULE NO. G-30**

This Service Agreement ("Agreement") is made and entered into as of the 11<sup>th</sup> day of May, 2001, by and between SOUTHWEST GAS CORPORATION, a California corporation, herein called the "Utility" and V.A.W. OF AMERICA, INC., herein called the "Customer."

WITNESSETH:

In consideration of the mutual covenants and agreements as herein set forth, the Utility and the Customer agree as follows:

**ARTICLE I - GAS TO BE SOLD AND PURCHASED**

Subject to the terms, conditions and limitations hereof, the Utility agrees to sell and deliver to the Customer and the Customer agrees to receive, purchase and pay for natural gas volumes taken.

**ARTICLE II - DELIVERY POINTS AND PROVISIONS OF SERVICE**

Delivery of natural gas by the Utility to the Customer shall be at or near the points whose locations, delivery pressures, atmospheric pressures, and maximum quantity per day are described on Exhibit A.

**ARTICLE III - APPLICABLE RATES AND RATE SCHEDULES**

The Customer agrees to take all of its natural gas service requirements from the Utility under the terms of this Agreement in accordance with the Utility's Schedule No. G-30, as approved by the Arizona Corporation Commission and as amended or superseded from time to time. The commodity rate charged pursuant to the Rates section and Special Condition No. 3 of Schedule No. G-30 is set forth in the Exhibit A attached hereto and made a part hereof. This Agreement shall be subject to the provisions of such Schedule and the Rules and Regulations applicable thereto on file with the Arizona Corporation Commission and effective from time to time, which by this reference are incorporated herein and made a part hereof. The Customer understands and agrees that the commodity rate as set forth in Exhibit A may change from time to time subject to the Applicability and Rates sections and Special Condition No. 3 of Schedule No. G-30.

#### ARTICLE IV - TERM OF AGREEMENT

This Agreement shall become effective on July 1, 2001, subject to Arizona Corporation Commission approval, and shall continue in effect for a primary term of three years, and from year to year thereafter, subject, however, to termination either at the expiration of the said primary term or upon any anniversary date of this Agreement thereafter by either party through written notice so stating and given no less than ninety (90) days prior to the expiration of the primary term or any anniversary date of this Agreement.

This Agreement may also be terminated (a) by mutual agreement of the parties, or (b) by either party in the event of any regulatory, governmental or other approvals which may be necessary or required for either party to perform any material obligation under this Agreement, (i) are not granted, or (ii) if granted, are not acceptable to either or both parties.

Should this Agreement be terminated by either party for any of the above reasons, such termination shall not be effective unless and until any existing gas contract entered into by the Utility for the Customer has expired. Any remaining imbalance will be cleared as follows:

- A. The Utility shall credit the Customer for any positive imbalance quantity at a price equal to the weighted average incremental cost of gas purchased by the Utility during the month.
- B. For any remaining negative imbalance quantity, the Customer shall pay the Utility for the imbalance quantity at the rate specified in Exhibit A.

#### ARTICLE V - NOTICES

Unless herein provided to the contrary, any notice called for in this Agreement shall be in writing and shall be considered as having been given if delivered personally, or by mail or telegraph or facsimile with all postage and charges prepaid, to either the Customer or the Utility at the place designated. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone. Unless changed, the addresses of the parties are as follows:

Southwest Gas Corporation  
P. O. Box 98510 LVB-106  
Las Vegas, Nevada 89193-8510  
Large Customer Sales Department  
Phone No.: (702) 876-7159  
Fax: (702) 873-3820

V.A.W. of America, INC.  
P.O. Box 6726  
Phoenix, AZ 85005  
Attention: Administrative Manager  
Phone No. (602) 269-2488  
Fax: (602) 269-0220

Either party may change its address at any time upon written notice to the other.

## ARTICLE VI - OTHER OPERATING PROVISIONS

### A. OPERATING CONDITIONS

The Customer agrees to purchase and pay for a minimum annual volume of 2.3 million therms. Prior to the beginning of each month, the Customer will inform the Utility's Central Gas Dispatch Department of its anticipated usage for the following month. The Customer agrees to use its best efforts to accurately forecast its monthly nominations to the Utility. The Customer has the ability to purchase supplies through a fixed supply contract. If the Customer elects a fixed supply contract, the volumes purchased under this contract will be the first through the meter. All additional supplies needed to meet the Customer's monthly requirements will be at the rate specified in Exhibit A. If at the end of a month a supply imbalance exists, the Utility will carry forward the imbalance into the next month unless conditions exist such as a pipeline operational flow order in which the Utility, at its sole discretion, retains the authority to obtain additional supplies or reduce supplies to meet the customers daily and/or monthly natural gas requirements.

If the Customer for any reason is shut down or is substantially (50% or more) not utilizing the amount of gas secured under a termed, fixed supply contract, the Utility may liquidate these supplies. Should this occur, the Customer expressly understands and agrees to the following:

- 1) For any volumes liquidated by the Utility for the Customer at a price less than the actual purchase price, the Customer will pay this difference to the Utility.
- 2) For any volumes liquidated by the Utility for the Customer at a price more than the actual purchase price, the Customer will be credited this difference by the Utility.

### B. CONFIDENTIALITY

Neither the Utility nor the Customer, nor their respective affiliates, directors, officers, employees, agents nor permitted assignees shall disclose to any third party the terms and provisions of this Agreement without the other party's prior written consent; provided, however that the Utility may make such disclosure of the terms and provisions of this Agreement to the Arizona Corporation Commission as in the opinion of counsel to the Utility is required by applicable law, rule or regulation, and provided that with respect to any such disclosure to the Arizona Corporation Commission, the Utility shall take all steps reasonably available to maintain the confidentiality of this Agreement and prevent its disclosure to third parties; and provided further that the Customer make such disclosure as required by law, and on a confidential basis, of the terms and provisions of this Agreement to prospective lenders and their consultants and attorneys.

## **ARTICLE VII - ADJUSTMENTS TO RULES AND REGULATIONS**

- None -

## **ARTICLE VIII - PRIOR AGREEMENTS**

When this Agreement becomes effective, it supersedes, cancels and terminates the following agreement(s):

Transportation Service Agreement under Schedule No. CB-1  
entered into March 17, 1996.

## **ARTICLE IX - REGULATORY REQUIREMENTS**

The Customer shall not take any action which would subject the Utility to the jurisdiction of the Federal Energy Regulatory Commission, the Department of Energy, or any successor governmental agency. Any such action shall be cause for immediate termination of this Agreement. This Agreement, all terms and provisions contained or incorporated herein, and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction over the subject matter of this Agreement. This Agreement shall at all times be subject to such changes or modifications by the Arizona Corporation Commission as it may from time to time direct in the proper exercise of its jurisdiction.

Should the Federal Energy Regulatory Commission, the Arizona Corporation Commission or any other regulatory or successor governmental agency having jurisdiction impose by rule, order or regulation any terms or conditions upon this Agreement which are not mutually satisfactory to the parties, then either party upon the issuance of such rule, order or regulation, and notification to the other party, may terminate this Agreement.

## **ARTICLE X - RULES**

The standard Rules of the Utility as authorized by and on file with the Arizona Corporation Commission in the Utility's currently effective Arizona Gas Tariff shall apply to the transaction to be performed hereunder, and are hereby incorporated into this Agreement, except as otherwise provided for in this Agreement.

## **ARTICLE XI - SUCCESSORS AND ASSIGNS**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder shall be

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made without written approval of the other party. Such approval shall not be unreasonably withheld. As between the parties hereto, such assignment shall become effective on the next regularly schedule meter read date following receipt of written notice that such assignment has been effectuated.

SOUTHWEST GAS CORPORATION

"Utility"

By:

  
Thomas J Armstrong

Title: Vice President/Gas Resources and  
Energy Services

Date:

5/16/01

V.A.W. OF AMERICA, INC.

"Customer"

By:



Title:

DIRECTOR OF OPERATION

Date:

5-11-01

5/11/01

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**SOUTHWEST GAS CORPORATION  
SPECIAL GAS PROCUREMENT AGREEMENT  
SCHEDULE NO. G-30**

CURRENT EFFECTIVE RATES<sup>1</sup>

Amount

Basic Service Charge/Month:

\$

\$

Commodity Charge:

Gas Costs<sup>3</sup> divided by (Fuel Adjustment) plus the applicable Variable Charge on the El Paso Natural Gas Company system, plus per therm upstream capacity charges, plus per therm Southwest Gas delivery charges.

CSS Account No.	Meter No.	Delivery Point(s)	Maximum Delivery Point Quantity per Day (Therms)	Therms by Priority
421-2673864-022	00582848	50 S. 49 <sup>th</sup> Avenue	-	P3
421-2673845-024	08825718	249 S. 51 <sup>st</sup> Avenue	-	P3
421-2673831-024	01192538	249 S. 51 <sup>st</sup> Avenue	-	P3
TBD <sup>2</sup>	TBD	50 S. 49 <sup>th</sup> Avenue	-	P3
			26,000	

Effective Date: July 1, 2001

Date Issued: May 10, 2001 (Original)

Customer: V.A.W. OF AMERICA, INC.


SOUTHWEST GAS CORPORATION

"Utility"

V.A.W. OF AMERICA, INC.

"Customer"

By:



Thomas J. Armstrong

Title:

Vice President/Gas Resources and  
Energy Services

By:



Title:

DIRECTOR OF OPERATIONS

Date:

5/16/01

Date:

5-11-01

<sup>1</sup> Applicable state and local tax assessment shall be in addition to the rates shown.  
<sup>2</sup> A fourth meter/delivery point will be added during the term of this contract.  
<sup>3</sup>